

The Church of Scotland Pension Scheme for Ministries Development Staff Implementation Statement for the year ended 31 December 2022

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of The Church of Scotland Pension Scheme for Ministries Development Staff ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31 December 2022 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

The Trustees' updated policy

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from their Investment Advisor on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustees introduced the Alliance Bernstein Sustainable All Market Portfolio Fund alongside a selection of new Legal and General Investment Management ("LGIM") single-stock and index-linked gilt funds, as part of an LDI recalibration, to the Scheme. These funds were recommended by the XPS Investment, using various criteria, one of which was ESG integration within the solution. During this selection exercise the Trustees were happy with the extent to which Alliance Bernstein and LGIM considered ESG within their funds and will continue to monitor each manager on this criteria, with the aid of XPS Investment.

Ongoing governance

The Trustees, with the assistance of their Investment Advisor, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of supporting the Trustees with respect to Responsible Investment (RI) and Stewardship matters, and ensuring the Trustees' policy is reviewed regularly.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to equities as part of the strategy for the diversified growth funds in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

Please note that whilst the Alliance Bernstein Sustainable All Market Portfolio was introduced over the reporting year, Alliance Bernstein have confirmed that they did not vote on any resolutions between the date of the initial investment and the end of the reporting year.

Baillie Gifford Diversified Growth Fund

Baillie Gifford Diversified Growth Fund
The manager voted on 95.83% of resolutions of which they were eligible out of 1,140 eligible votes.
Investment Manager Client Consultation Policy on Voting
All voting decisions are made by our Governance & Sustainability team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.
Investment Manager Process to determine how to Vote
Thoughtful voting of our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the long term investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our clients' holdings in all markets.
How does this manager determine what constitutes a 'Significant' Vote?

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting
- The resolution received 20% or more opposition and Baillie Gifford opposed
 - Egregious remuneration
 - Controversial equity issuance
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders
 - Where there has been a significant audit failing
 - Where we have opposed mergers and acquisitions
 - Where we have opposed the financial statements/annual report
 - Where we have opposed the election of directors and executives.

Does the manager utilise a Proxy Voting System? If so, please detail

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
GALAXY ENTERTAINMENT GROUP LTD	Amendment of Share Capital	Against	Pass
We opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. We have opposed similar resolutions in previous years and will continue to advise the company of our concerns and seek to obtain proposals that we can support.			
GALAXY ENTERTAINMENT GROUP LTD	Amendment of Share Capital	Against	Pass
As above.			
GREGGS PLC	Remuneration	Against	Pass

Following casting a vote, we reached out to the Company to provide reasons for our opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged our feedback on pensions and pay increases for one executives and explained how the new CEO's salary was set.			
CBRE GROUP, INC.	Shareholder Resolution - Governance	Against	Fail
We opposed the shareholder resolution to lower the ownership threshold to call a special meeting as we were comfortable with the current 25% threshold in place and do not believe that lowering it would be reasonable. Ahead of voting, we had an engagement call with the company to discuss the proposed agenda. We were satisfied to learn about the company's efforts to engage with their holders, including the proponent, who according to the company, did not have any particular concerns over CBRE but backs a lower threshold out of principle. We intend to follow up with the company later in a year to speak about governance developments.			
LEG IMMOBILIEN SE	Remuneration	Against	Pass
Following our vote decision, we have reached out to the company to let them know about our dissent on remuneration and set out our expectation on pay.			

BlackRock Market Advantage Fund

Voting Information
BlackRock Market Advantage Fund
The manager voted on 86% of resolutions of which they were eligible out of 13,015 eligible votes.
Investment Manager Client Consultation Policy on Voting
<p>BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.</p> <p>Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients' investments. BlackRock Investment</p>

Stewardship (“BIS”) does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance (“ESG”) matters and, for those clients who have given us authority, through voting proxies in the best long-term economic interests of our clients. We also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with our clients’ interests as long-term shareholders.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what supports sustainable long-term value creation, we will engage with a company and/or use our vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and ESG risks and opportunities that are material to the companies in which our clients invest. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company’s management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced. We primarily engage through direct dialogue but may use other tools such as written correspondence to share our perspectives. Engagement also informs our voting decisions.

BlackRock’s approach to corporate governance and stewardship is explained in our Global Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

Our Global Principles available on our website at <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

Investment Manager Process to determine how to Vote

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company’s unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock’s observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics

and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

How does this manager determine what constitutes a 'Significant' Vote?

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

We periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Does the manager utilise a Proxy Voting System? If so, please detail

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate

governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
 - We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
 - We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
 - The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Bank of Montreal	Adopt an Annual Advisory Vote Policy on the Bank's Environmental and Climate Change Action Plan and Objectives	Against	Fail
The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.			
Bank of Montreal	Adopt French as the Official Language of the Bank	Against	Fail
Company already has policies in place to address these issues.			
Bank of Montreal	Explore the Possibility of Becoming a Benefit Company	Against	Fail

The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company			
J Sainsbury Plc	Shareholder Resolution on Living Wage Accreditation	Against	Fail
We recognize the importance of frontline workers to Sainsbury's long-term success, and we see pay and benefits more broadly as a critical issue for companies to be managing effectively. However, we did not support the proposal given Sainsbury's strong positive track record on offering above-market employee benefits and because we believe the legally binding proposal is unduly constraining on management decision-making on a critical operational and financial issue given that it would require management to cede control of worker pay to a third-party entity.			
Barclays Plc	Approve Barclays' Climate Strategy, Targets and Progress 2022	For	Pass
We supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's notable progress against this plan. We do, however, believe there are areas where the company could enhance its disclosure.			

- Signed by Graeme Caughey
- Chair of the Trustees
- 05/04/2023